United Nations

United Nations Institute for Training and Research

Financial report and audited financial statements

for the biennium ended 31 December 2005 and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-first Session
Supplement No. 5D (A/61/5/Add.4)

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

31 March 2006

Pursuant to financial regulation 6.5, I have the honour to submit the 2004-2005 biennial accounts of the United Nations Institute for Training and Research as at 31 December 2005, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(Signed) Marcel A. **Boisard**
Executive Director
United Nations Institute for Training and Research

The Chairman
The Board of Auditors
United Nations
New York

28 July 2006

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Institute for Training and Research for the biennium ended 31 December 2005.

(*Signed*) Guillermo **Carague**
Chairman, Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2005

Introduction

1. The Executive Director has the honour to submit herewith the financial report on the accounts of the United Nations Institute for Training and Research (UNITAR) for the biennium ended 31 December 2005.

Statement I
Income and expenditure and changes in reserves and fund balances

General Fund

2. Total income for the biennium increased by 67.8 per cent, from $1,915,193 in the previous biennium to $3,213,966, mainly as a result of an increase in voluntary contributions of $322,984 and an increase in programme support income of $985,930 generated by an increase in expenditures under the Special-Purpose Grants Fund.

3. Total expenditures in the biennium increased by 16.3 per cent, from $2,045,373 to $2,378,176, mainly as a result of higher staffing costs, rental and maintenance costs and increased activities made possible by the significant increase in income during the biennium.

4. Total reserves and fund balances as at 31 December 2005 had increased to $1,453,526 from $626,461 at the end of the previous biennium.

Special-Purpose Grants Fund

5. Total income for the biennium increased sharply, by 86.2 per cent, from $14,595,636 in 2002-2003 to $27,179,689 in 2004-2005, as a result of the contributions for new projects established during the biennium.

6. Reflecting higher income, total expenditures increased by 61.9 per cent, from $13,214,702 to $21,404,797. This was due to the implementation of new projects established during the biennium 2004-2005.

7. Total reserves and fund balances as at 31 December 2005 had increased from $5,997,601 at the end of the previous biennium to $11,363,008.

Activities financed by the United Nations Development Programme

8. Expenditures under projects financed by the United Nations Development Programme decreased by 27.1 per cent, from $1,343,118 in the previous biennium to $979,236 in 2004-2005. This was because several large projects executed in the previous biennium came to an end in the current biennium.

Statement II
Assets, liabilities and reserves and fund balances

9. As at 31 December 2005, the General Fund and the Special-Purpose Grants Fund had cash and term deposits of $1,437,408 and $12,152,891 respectively. Those amounts compare to cash and term deposits of $741,317 and $6,544,801 as at the end of the previous biennium.

10. As at 31 December 2005, liabilities of the Institute totalled $2,543,675, compared to liabilities amounting to $1,215,518 at the end of the previous biennium.

Statement III
Cash flows

11. Net increases in cash and term deposits for the biennium for the General Fund and the Special-Purpose Grants Fund amounted to $696,091 and $5,608,090 respectively, owing mainly to higher income levels.

Statement IV
Status of expenditures against the approved budget

12. Total expenditures during the biennium amounted to $2,378,176, which exceeds the approved budget by $78,176. The excess was due primarily to additional activities undertaken by UNITAR as authorized by the Executive Director.

Annex

Supplementary information

1. The present annex includes an explanation of the double-counting contained in the financial statements, along with information the Executive Director is required to report.

Double-counting in the financial statements

2. The Institute's financial statements for individual funds contain elements of double-counting of income and expenditure totalling $2,237,336. These amounts have been eliminated from the income and expenditure figures in statement I. Similarly, double-counting of inter-fund indebtedness totalling $41,608 has been eliminated from the total asset and liability figures in statement II.

Write-off of losses of cash and receivables

3. In accordance with financial rule 106.8, accounts receivable totalling $886 relating to various travel claims under the Special-Purpose Grants Fund were written off during the biennium.

Write-off of losses of property

4. There was no write-off of losses of property under financial rule 106.9.

Ex gratia payments

5. There were no ex gratia payments during the biennium 2004-2005.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations and audited the financial statements of the United Nations Institute for Training and Research (UNITAR) for the biennium ended 31 December 2005 at its headquarters in Geneva and its offices in New York and Hiroshima, Japan.

The Board addressed special requests made by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly. In addition to the audit of the accounts and financial statements for the year ended 31 December 2005, the Board carried out reviews of UNITAR operations under financial regulation 7.5.

The Board issued an unqualified audit opinion on the financial statements of UNITAR for the biennium ended 31 December 2005, as reflected in chapter III.

Implementation of previous recommendations of the Board

As requested by the Advisory Committee on Administrative and Budgetary Questions, the Board evaluated the ageing of its previous recommendations that were not yet fully implemented and has indicated the biennium in which such recommendations were first made. Of 15 recommendations, 6 (40 per cent) were implemented, 7 (47 per cent) were under implementation and 2 (13 per cent) were not implemented. Of 9 recommendations not yet fully implemented, 6 (67 per cent) relate to the 2002-2003 biennium, 2 (22 per cent) to the 2000-2001 biennium and 1 (11 per cent) to the 1998-1999 biennium.

Financial overview for the biennium ended 31 December 2005

The financial situation of the Institute has significantly improved since the previous biennium. Income amounted to $29.1 million as at 31 December 2005 (an increase of 75 per cent compared to the previous biennium), while expenditure reached $22.5 million (an increase of 47 per cent). Reserves and fund balances totalled $12.8 million at the end of 2005, or 1.5 times their 2003 level.

Cash management

Cash holdings at the end of the biennium represented 18 months of expenditure by the Institute. While the schedule of payment of donor contributions and low utilization of the funds available offered an explanation, such a high level of liquidity questions the ability of the Institute to implement programmes in a timely manner.

Programme management

During the biennium, the Institute has succeeded in reversing the declining trend in voluntary contributions paid to the General Fund. However, funding of its core training activities is still highly dependent on the programme support income generated by special projects. In spite of recurring recommendations by the Board of

Auditors, alternative funding sources, including the definition of new rules for admission to the core training programme, have yet to be fully considered by the Institute and its Board of Trustees.

Since 2005, UNITAR has introduced results-based management and budgeting. However, the Board noted that there is still room for improvement in respect of strategic planning, monitoring and assessment of performance and reporting to stakeholders.

Fraud prevention and management

The fraud-awareness policy and mechanisms developed by UNITAR are not fully consistent with United Nations rules and procedures and will have to be further enhanced, in conjunction with the United Nations fraud prevention plan and policy which is currently under consideration.

The Institute has not developed tools and mechanisms to prevent and properly manage information technology-related fraud risks.

Recommendations

The Board has made several recommendations based on its audit observations. A summary of its main recommendations is contained in paragraph 16 of the present report.

A. Introduction

1. The Board of Auditors has reviewed the operations and audited the financial statements of the United Nations Institute for Training and Research (UNITAR) for the period from 1 January 2004 to 31 December 2005, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements of UNITAR presented fairly its financial position as at 31 December 2005 and the results of operations and cash flows for the period then ended, in accordance with the United Nations system accounting standards. The audit included an assessment of whether the expenditures recorded in the financial statements for the period from 1 January 2004 to 31 December 2005 had been incurred for the purposes approved by governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules. During the audit, the Board undertook a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that it considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. The reviews primarily focused on the efficiency of procedures, the internal financial controls and, in general, the administration and management of UNITAR. The General Assembly had requested the Board to follow up on previous recommendations and to report to it accordingly. These matters are addressed in paragraphs 9 to 16 below.

4. The audit was carried out at UNITAR headquarters in Geneva, and at its offices in New York and Hiroshima, Japan.

5. The General Assembly, in section V of its resolution 59/266 of 23 December 2004, requested the Board of Auditors to conduct an audit of the implementation of the principle of equitable geographical representation in the Secretariat at all levels, as set out in relevant resolutions of the General Assembly, and to verify the application of established measures of transparency and accountability at all levels of the selection, recruitment and placement process in compliance with relevant resolutions of the Assembly. It also requested the Board of Auditors to submit its findings and recommendations to the Assembly at its sixty-first session for consideration and action. That matter is addressed in paragraphs 49 to 52 below.

6. The Board continued to report the results of audits to the Administration in management letters containing detailed observations and recommendations, a practice that allows for ongoing dialogue with the Administration. Three such letters were written in relation to the biennium ended 31 December 2005.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

8. A summary of the Board's main recommendations is contained in paragraph 16 below. The detailed findings are discussed in paragraphs 18 to 110.

I. Previous recommendations not fully implemented

Period ended 31 December 2003

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2003.[1] Details of the action taken and the comments of the Board are provided in the report and have been summarized in the annex to the present chapter. Of 15 recommendations, 6 (40 per cent) had been implemented, 7 (47 per cent) were under implementation and 2 (13 per cent) had not been implemented. Among the outstanding issues, 3 recommendations could not be fully implemented pending United Nations decisions (i.e., those concerning disclosure in financial statements, funding of after-service liabilities and fraud-awareness policy).

Ageing of previous recommendations

10. As requested by the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8, and A/60/387, para. 12), the Board evaluated the ageing of its previous recommendations that were not yet fully implemented. The annex to the present chapter indicates the biennium in which such recommendations were first made.

11. Of the 9 recommendations not yet fully implemented, 6 (67 per cent) relate to the 2002-2003 biennium, 2 (22 per cent) to the 2000-2001 biennium and 1 (11 per cent) to the 1998-1999 biennium. The Board's further comments on these specific outstanding recommendations are addressed elsewhere in the present report.

Monitoring of recommendations

12. The Advisory Committee on Administrative and Budgetary Questions has indicated that the administrations should continue to introduce and strengthen effective monitoring tools as well as to assign responsibility at the highest level of their management structure for implementation and follow-up of the Board's recommendations (A/59/400, para. 11).

13. In paragraph 8 of its resolution 59/264 A of 23 December 2004, the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to indicate an expected time frame for the implementation of the recommendations of the Board of Auditors, including the office holders to be held accountable. UNITAR has started to adopt this approach, but a comprehensive monitoring tool has yet to be developed.

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5D* and corrigendum (A/57/5/Add.4 and Corr.1), chap. II.

14. During the Board's 2005 audit, UNITAR indicated that it already complied with the above request since the Executive Director and the Finance and Administrative Officer were responsible for the implementation and follow-up of the Board's recommendations. The Executive Director thoroughly reviewed the report, and either personally prepared the responses and arranged follow-ups, or reviewed the work of the Finance and Administrative Officer.

15. **The Board reiterates the recommendation that the Administration improve its monitoring of the implementation of recommendations.**

2. Summary of main recommendations

16. The Board's main recommendations are as follows:

(a) **Preparation of the financial statements**. The Institute should ensure consistency between accounting records and information disclosed in the financial statements (para. 28);

(b) **Programme of Correspondence Instruction**. The Institute should ensure that legal and financial interests are properly addressed and safeguarded by its agreement with UNITAR-POCI (para. 42);

(c) **Cash management**. The Institute should assess the adequacy of its resources and staffing level against its actual operational needs, with a view to ensuring optimal use of available funds and timely implementation of programmes (para. 46);

(d) **Geographical distribution of staff**. The Institute should continue its efforts to achieve a more balanced geographical distribution of staff (para. 52);

(e) **Programme management**. The Institute should (i) consider alternative sources of funding and review the rules for admission to its core training programme (para. 61); (ii) adopt a strategic plan including its midterm objectives (para. 67); (iii) improve its monitoring and assessment of programme performance (paras. 72 and 75); and (iv) systematically share best practices developed by substantive units in respect of programme management (para. 81);

(f) **Fraud prevention and management**. The Institute should (i) enhance its guidelines on the risk of internal corruption and fraud, in line with the United Nations fraud prevention plan and policy (para. 92); and (ii) establish rules and procedures to prevent potential misuse and abuse of information technology resources and data (paras. 96, 101 and 107).

17. The Board's other recommendations appear in paragraphs 15, 31, 37, 64, 78, 84, 88, 98, 104 and 109.

B. Financial issues

1. Financial overview

18. The financial statements of UNITAR comprise three funds: the General Fund, the Special-Purpose Grants Fund and activities financed by the United Nations Development Programme (UNDP). The General Fund finances the Institute's administrative expenses and the core training programme for diplomats. The other

two funds finance specific projects from earmarked contributions. Table 1 below provides an overview of the financial situation of UNITAR as at 31 December 2005.

Table 1
Financial situation of the United Nations Institute for Training and Research as at 31 December 2005
(United States dollars)

	1998-1999	2000-2001	2002-2003	2004-2005	2005/2004 (Percentage)
Total income	9 100 965	13 110 167	16 602 541	29 135 555	75.5
Total expenditure	7 760 755	10 982 061	15 351 787	22 524 873	46.7
Excess (shortfall) of income over expenditure	1 307 272	2 129 369	1 256 475	6 610 706	426.1
Reserve and fund balance, end of biennium	3 218 694	5 255 411	6 624 062	13 816 534	91.5

19. In the biennium 2004-2005, UNITAR received income totalling $29.1 million, compared to $16.6 million during the previous biennium. With expenditure amounting to $22.5 million, the Institute recorded an excess of income over expenditure of $6.6 million, representing 29.33 per cent of the value of expenditure incurred during the biennium.

20. The healthy financial position of the Institute at the end of 2005 is illustrated by the ratios disclosed in table 2.

Table 2
Ratios of key financial indicators

	All funds		*General Fund*		*Special Purpose Grants Fund*	
Description of ratio	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*
Cash/liabilities[a]	6.0	5.3	6.0	23.2	10.1	5.9
Assets/liabilities[b]	6.0	6.0	6.1	24.5	10.3	6.5

[a] A high indicator reflects the extent of cash available to settle debts.
[b] A high indicator reflects a positive solvency position.

21. With assets equivalent to 6.7 times the value of liabilities ($13.4 million as against $2 million at the end of 2005), the financial situation of the Special-Purpose Grants Fund remained sound. However, during the biennium 2004-2005, liabilities grew faster than assets, hence the deterioration of the ratios disclosed in table 2. The increase in liabilities was mainly due to the rise of unliquidated obligations against current and future financial periods at the end of the biennium (amounting to $1.5 million as at 31 December 2005 as against $0.5 million at the end of the previous financial period). Based on a sample review, tests of the validity of unliquidated obligations reported by the Institute at the end of the financial period did not show any anomaly.

22. Assets under the General Fund at the end of 2005 represented more than twice the value of assets recorded at the end of the previous biennium ($1.5 million as at 31 December 2005, including $1.4 million of cash and term deposits, as against

$0.7 million as at 31 December 2003). At the same time, the value of liabilities was halved, amounting to $61,939 at the end of 2005 as against $122,728 at the end of 2003, a result of a significant decrease in the value of unliquidated obligations at the end of the biennium (from $117,040 at the end of 2003 to $49,454 at the end of 2005).

23. Overall, the financial situation of the General Fund improved during the biennium 2004-2005 (see table 3). With income in excess of expenditure amounting to $826,005, which resulted in reserves of $1,453,526 at the end of the biennium (or more than twice the level of reserves at the end of 2003), the objective set by the Board of Trustees to bring the fund balance of the General Fund to more than $1 million was reached.

Table 3

Financial overview by fund (statement I)

(United States dollars)

	General Fund		
	2002-2003	*2004-2005*	*2003/2002 (Percentage)*
Total income	1,915,193	3,213,966	67.8
Total expenditure	2,045,373	2,378,176	16.3
Net excess (shortfall) of income over expenditure	(167,057)	826,005	–
Reserve and fund balance, end of period	626,461	1,453,526	132.0
	Special Purpose Grants Fund		
	2002-2003	*2004-2005*	*2005/2003 (Percentage)*
Total income	14,595,636	27,179,689	86.2
Total expenditure	13,214,702	21,404,797	62.0
Net excess of income over expenditure	1,423,532	5,784,791	306.4
Reserve and fund balance, end of period	5,997,601	11,363,008	89.5

24. The level of non-earmarked reserves amounting to $1.85 million at the end of the biennium, or 1.5 times their 2003 level, included the maintenance by the Institute since 2003 of a dedicated reserve to cover liabilities for accrued annual leave and termination benefits of $398,000 (see table 4).

Table 4

Breakdown of funds available at the end of the biennium against long-term liabilities

(United States dollars)

	2002-2003	Percentage	2004-2005	Percentage
Reserve and fund balances				
General Fund	626 461		1 453 526	
Reserve for repatriation and annual leave[a]	130 737		398 000	
Total non-earmarked funds	**757 198**	**11**	**1 851 526**	**14**
Special-Purpose Grants Fund	5 997 601		11 363 008	
Total earmarked funds	**5 997 601**	**89**	**11 363 008**	**86**
Total reserves and fund balance	**6 754 799**	**100**	**13 214 534**	**100**
After-service liabilities (note 6)				
After-service health insurance[b]	896 000		1 857 000	
Accrued annual leave	322 000		392 000	
Termination benefits	528 000		661 000	
	1 746 000		**2 910 000**	
Non-earmarked funds/after-service liabilities		**43**		**64**

[a] Included under other accounts payable of the Special-Purpose Grants Fund.

[b] Value of liabilities for after-service health insurance was calculated on the basis of an actuarial valuation and corresponds to the discounted values of benefits to be paid in the future to all active employees expected to retire.

2. United Nations system accounting standards

25. The Board assessed the extent to which the financial statements of UNITAR for the biennium ended 31 December 2005 conformed to the United Nations system accounting standards. Notwithstanding the observations below, the review indicated that the financial statements were consistent with the Standards.

Consistency between trial balances and financial statements

26. Due to a minor coding error, a $38,809.83 contribution from France was inappropriately recorded in the books of the Institute as income for services rendered instead of a voluntary contribution. The correction was made in the financial statements but not in the accounts. This resulted in a non-material discrepancy between the amounts disclosed in the financial statements per category of income and the amounts recorded in the Institute's trial balance. UNITAR accounts are maintained by the United Nations Office at Geneva and, in accordance with the statute of the Institute (article VIII, paragraph 11), the preparation of the financial statements is the responsibility of the Controller of the United Nations.

27. The financial statements should give a true and fair presentation of UNITAR operations, recorded accurately and comprehensively in the Institute's books. Thus,

the financial statements should tally with the results of the operations reflected in the accounts and in the trial balance.

28. The Administration agreed with the Board's recommendation that UNITAR, in coordination with the United Nations Office at Geneva, ensure consistency between its relevant accounting records and the financial statements.

Liabilities for annual leave, end-of-service and post-retirement benefits

29. According to paragraph 58 of the United Nations system accounting standards, liabilities for annual leave, end-of-service benefits and post-retirement benefits, including after-service medical benefits, should be provided for in the financial statements to the extent required by the financial policies of the organization. Insofar as such liabilities are not fully provided for, appropriate disclosure should be made in the notes to the financial statements and estimated liabilities quantified where possible, showing the basis of valuation. As far as after-service medical benefits are concerned, such liability should normally be determined by actuarial evaluation.

30. As disclosed in note 6 to the financial statements, the actuarial valuation of the Institute's liabilities for after-service health insurance as at 31 December 2005 was not available at the time of the closing of the accounts and issuance of the financial statements. However, an updated actuarial valuation, provided on 12 May 2006, reflected a 107 per cent rise in the value of liabilities for after-service health insurance as at 31 December 2005, compared to the prior liability amounts as at 31 December 2003 ($1.9 million[2] as against $0.9 million). As indicated by the Insurance and Disbursement Service of the United Nations Secretariat, this increase was mainly due to five basic sources of change: (a) the rolling forward of liabilities from one financial period to another, (b) updated census information, (c) updated claim costs, (d) updated demographic assumptions and (e) updated discount rates.

31. **The Board recommends that the disclosure of the updated valuation of liabilities for after-service health insurance in the notes to the financial statements of the Institute.**

32. The Board of Auditors has previously reiterated its recommendation that UNITAR, in conjunction with the Administration of the United Nations and other funds and programmes, review the funding mechanism and targets for end-of-service and post-retirement benefits liabilities.[3] Since 2003, UNITAR has had a reserve to cover costs for accrued annual leave and repatriation costs. As at 31 December 2005, the amount set aside aggregated $398,037.

33. In addition, in 2005, the Institute took the initiative to set up a $88,000 provision for after-service health insurance liability following the Board's recommendations and the pressing need as several staff members approached the mandatory retirement age. The Accounts Division at United Nations Headquarters cancelled the provision on 1 April 2006, and the UNITAR accounts were reopened to adjust related transactions accordingly.

[2] The figure of $1.9 million was provided by the Administration and was yet to be validated by the Board of Auditors, pending transmission of the detailed valuation.

[3] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5D* (A/59/5/Add.4), chap. II.

34. Notwithstanding the initiatives taken by UNITAR to solve the issue of unfunded liabilities, full implementation of the Board's recommendation would require coordinated action from the United Nations Administration. The Secretary-General's report on liabilities and proposed funding for after-service insurance health benefits (A/60/450 and Corr.1) is to be considered by the General Assembly during its sixty-first session, with a view to determining a United Nations system-wide solution.

3. Statement IV

35. Statement IV of the financial statements of UNITAR for the biennium 2004-2005 shows the status of expenditure against budget for the period. The Board noted that total expenditure slightly exceeded the approved budget by $78,176. According to a footnote to statement IV, the excess of expenditures over the approved budget is primarily due to the additional activities undertaken by UNITAR as authorized by the Executive Director.

36. However, in accordance with the statute of UNITAR, notably articles III, paragraph 2, and V, paragraph 2,[4] the Executive Director of the Institute has no authority to incur expenditure beyond that approved by the Board of Trustees. Furthermore, in accordance with the statute, any revision of the budget and related expenditures should have been duly submitted to and approved by the Board of Trustees prior to implementation.

37. **The Administration agreed with the Board's recommendation that UNITAR strictly adhere to the provision of the statute in respect of budget approval and authorization of expenditure.**

4. Programme of correspondence instruction

38. Since 1995, the UNITAR programme of correspondence instruction in peacekeeping operations has been implemented by a not-for-profit organization registered in the United States of America, UNITAR POCI, and directed by a fellow appointed by UNITAR (but not remunerated by the Institute).

39. Activities implemented by UNITAR POCI were self-funded from the payment of enrolment fees and sales of training material. Table 5 below discloses revenue and expenditure generated by the programme in 2003 and 2004.

[4] Respectively, "The Board [of Trustees] shall: ... (c) Consider and approve the work programme and adopt the budget of the Institute on the basis of proposals submitted to it by the Executive Director, including any new programmes that may be proposed by the Secretary-General or by Governments through the General Assembly, within the limits of available financial resources"; and "The Executive Director shall, inter alia: (a) Submit the work programmes and the budget estimates of the Institute to the Board [of Trustees] for its consideration and approval, including any new programmes that may be proposed by the Secretary-General or by Governments through the General Assembly; (b) Execute the work programmes and make the expenditures envisaged in the budget as approved by the Board ...".

Table 5
UNITAR POCI: financial overview
(United States dollars)

	2005	2006
Total revenue	264 662	463 210
Total expenditure	246 753	133 829
Fund balance at year end	52 164	116 545

40. Except for a 5 per cent overhead (which amounted to $23,060.50 in 2005), calculated on the basis of total annual revenue of UNITAR POCI, the Institute has not received any income from the programme since its establishment in 1995. Furthermore, no transactions pertaining to the implementation of the programme have been recorded in the UNITAR books and reported in the Institute's financial statements.

41. Until its review by the Board of Auditors in 2006, no formal agreement had been concluded between the Institute and UNITAR POCI which would determine the conditions for the management of the programme of correspondence instruction, including, notably, the responsibilities and obligations of both parties in respect of funding of activities, financial management and reporting, the use of the UNITAR name and emblem and such substantive issues as the content of the training programme. On 12 May 2006, following the Board's request, a memorandum of agreement signed by the Executive Director of UNITAR and the Director of UNITAR POCI granted UNITAR POCI full responsibility for the management of the programme, including custody of all related income and expenditure. The Board noted, however, that the rationale for the payment of overheads by UNITAR POCI to the Institute was not disclosed in the aforementioned agreement and that the 5 per cent rate was not justified.

42. **The Board recommends that the Institute ensure that its legal and financial interests are properly addressed and safeguarded by its agreement with UNITAR POCI for the implementation of the programme of correspondence instruction.**

5. Cash management

43. At the end of 2005, $13,590,299 was posted to the line "Cash and term deposits" of the UNITAR statement of assets, liabilities and reserves and fund balances as at 31 December 2005, showing an 86 per cent increase compared to the previous biennium. This evolution resulted mainly from the net excess of income over expenditure, which itself stemmed from a rise in the amount of voluntary contributions paid to the Special-Purpose Grants Fund (an increase of 89 per cent compared to the biennium 2002-2003). The value of cash and term deposits at the end of the biennium represented roughly 18 months of expenditure of the Institute, based on the value of expenses in the 2004-2005 biennium.

44. One of the main reasons for the high cash holdings at the end of the biennium was the low level of utilization of funds available under the Special-Purpose Grants Fund for the implementation of UNITAR programmes (less than 58 per cent of the total funds available under the Special-Purpose Grants Fund during the biennium

were expended by the Institute). UNITAR explained that the large carry-over of funds paid in advance, including those for projects implemented over several years, and the significant amount of contributions paid by donors towards the end of the year (28 per cent of income reported under the Special-Purpose Grants Fund was received between September and December 2005) had contributed to the high cash holdings.

45. The high cash holdings puts into question the capacity of the Institute to respond in a timely manner to donor requirements and to execute as many as 128 different projects (94 at the end of the previous biennium, or a 36 per cent increase) with limited and constant staff complements (37 regular staff members at the end of 2005 as against 40 at the end of 2003).

46. **The Board recommends that UNITAR assess the adequacy of its resources and staffing level against its actual operational needs, with a view to ensuring the optimal use of available funds and timely implementation of its activities.**

6. Write-offs of losses of cash, receivables and property

47. In accordance with United Nations financial regulation 6.4 and financial rule 106.8, UNITAR wrote off $886 in respect of irrecoverable receivables (balances due on travel claims).

7. Ex gratia payments

48. UNITAR reported no ex gratia payments during the biennium ended 31 December 2005.

C. Management issues

1. Geographical distribution of staff

49. In its resolution 59/266, the General Assembly requested the Board of Auditors to conduct an audit of the implementation of the principle of equitable geographical representation in the Secretariat at all levels, as set out in relevant resolutions of the General Assembly, and to verify the application of established measures of transparency and accountability at all levels of the selection, recruitment and placement process, in compliance with relevant resolutions of the Assembly. Although UNITAR is not part of the Secretariat, to which the aforementioned resolution refers, its staff members are subject to the United Nations Staff Regulations and Rules (including regulation 4.2, according to which "Due regard shall be paid to the importance of recruiting staff on as wide a geographical basis as possible"). Also, article IV, paragraph 6, of the statute of the Institute states "The staff of the Institute shall be recruited on as wide a geographical basis as possible, primary consideration being given to the particular requirements of the Institute".

50. In 2005, the Institute continued its efforts to achieve a more balanced geographical distribution: of the five staff members recruited, two were from Europe and three from Africa, Central Asia and South America. However, the limited numbers recruited did not allow reversing the trend significantly, and although the proportion of staff members recruited from Europe and North America declined, from 76 per cent to 70 per cent of the total between 31 December 2004 and 31 December 2005, it remained overwhelming, as illustrated in table 6.

Table 6
Geographical distribution of staff

Region of origin	*31 December 2004*		*31 December 2005*	
	Number	*(Percentage)*	*Number*	*(Percentage)*
Europe	19	51.4	18	48.6
North America	9	24.3	8	21.6
Asia	5	13.5	6	16.2
Africa	2	5.4	3	8.1
Middle East	1	2.7	1	2.7
South America	1	2.7	1	2.7
Total	**37**		**37**	

51. Further efforts will be required to meet the requests of the General Assembly and the Advisory Committee on Administrative and Budgetary Questions. In that respect, the Executive Director of the Institute recalled, in a memorandum dated 11 April 2006 addressed to the programme coordinators, that priority would be given to the recruitment of candidates of underrepresented countries. The Institute underlined, however, that most of the contracts offered are short term, which makes them unattractive to potential candidates who would have to leave their present employment and country and move to Geneva.

52. **While commending UNITAR for efforts already made, the Board recommends, and the Administration agreed, that the Institute continue its efforts to achieve a more balanced geographical distribution of staff.**

2. Programme management

Funding of core training activities

53. UNITAR primarily relies on the General Fund for financing its regular staff, administration, rental and operating costs and for funding its core training programme in United Nations host cities,[5] defined in article VIII, paragraph 8, of the statute of the Institute, as training for international cooperation and multilateral diplomacy.

54. While the financial situation of the General Fund has been a matter of concern in previous years, its financial position dramatically improved throughout the biennium 2004-2005. As disclosed in table 7 and the figure below, due to the continuous efforts made by the Institute to increase contributions from Governments, the declining trend in voluntary contributions credited to the General Fund has been reversed. In addition, the General Fund largely benefited from the dynamics of the Special-Purpose Grants Fund, which generated programme support income of $2,237,336, or 70 per cent of the total income of the General Fund during the biennium.

[5] New York, Geneva, Vienna, Nairobi and, from 2006, Addis Ababa, Bangkok, Beirut and Santiago.

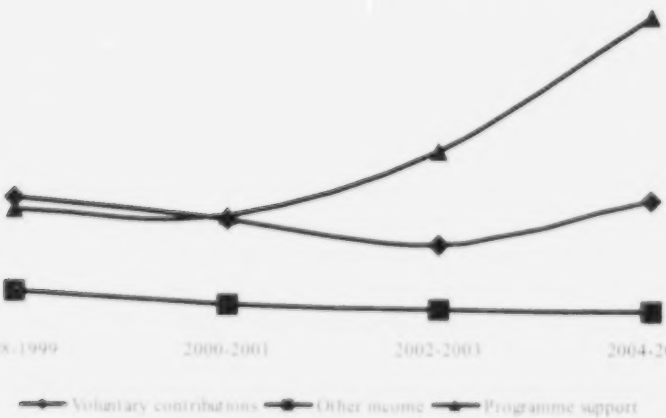
Table 7

Income sources for the General Fund

(United States dollars)

Biennium	Voluntary contributions	Programme support	Other income	Total income posted to General Fund	Programme support/total (Percentage)
1998-1999	918 991	827 681	232 439	1 979 111	42
2000-2001	258 771	778 595	140 256	1 677 422	46
2002-2003	766 470	1 251 406	97 317	1 915 193	65
2004-2005[a]	889 454	2 237 336	87 176	3 213 966	70
Evolution, 2001-2005 (percentage)	17.2	187.4	-37.8	91.6	

Trend in income sources for the General Fund, 1998-2005



55. The Board has repeatedly recommended in its previous reports that UNITAR define the rules for admission to its core training programme, notably to address the discrepancies between the aforementioned decline in contributions to its General Fund and increased participation in its programmes by the industrialized countries.

56. However, being largely dependent upon the growth of projects financed from the Special Purpose Grants Fund, the General Fund has remained vulnerable. In addition, and as underlined by the Advisory Committee for Administrative and Budgetary Questions (A/60/7/Add.4, paras. 11-12), the issue of the fluctuating and, until recently, declining level of voluntary contributions to the General Fund had yet to be addressed by the Institute, with the support of Member States. The Committee urged the UNITAR Administration to pursue fund-raising activities boldly, in a creative and forthright manner, in an effort to attract a steady flow of donor funds.

57. Therefore, UNITAR will have to continue its fund-raising efforts, in line with its current strategy, recently extended to its New York Office,[6] which consists of maintaining close relationships with permanent missions (two written communications each year, both in New York and Geneva, in addition to personal meetings), sustained and systematic promotion of its core diplomatic training activities at all events in which UNITAR representatives are requested to speak, and systematic announcement of the need for financial support. However, UNITAR efforts will not pay off without proper support from Member States, which may sometimes be reluctant to fund the core training activities of the Institute and more interested in supporting special project grants.

58. Alternative sources of funding may also have to be considered, including the extension to the General Fund of practices developed for training activities financed under the Special-Purpose Grant Fund, such as recovering costs from participants in training programmes, whenever feasible and provided that such a practice is not in contradiction with the UNITAR policy of favouring the participation of trainees from developing countries (as experienced by the Hiroshima Office in 2005).

59. The revision of the rules for admission to the core training programmes of the Institute, including the introduction of a cost-recovery approach, would have to be formally considered by the Institute's Board of Trustees, in line with article III, paragraph 2 (e), of the statute.

60. The strengthening of the financial position of the General Fund may also be achieved by reducing the costs of implementing core training activities. In this respect, the New York Office has introduced practices to diffuse costs, such as the extended use of local resources and the development of joint training activities with United Nations partners.

61. **While commending UNITAR for the results achieved during the biennium 2004-2005 in respect of the financial situation of the General Fund and fund-raising, the Board (a) reiterates its recommendation that the head of the Institute submit to the Board of Trustees new rules for admission to its core training programme in line with the statute of the Institute and (b) recommends that the Institute give further consideration to alternative sources of funding for its core training activities.**

Funding of the Hiroshima Office for Asia and the Pacific

62. UNITAR opened its Hiroshima Office for Asia and the Pacific for a trial period in 2001 and then officially in 2003. The activities of the Office fall within the general framework of the Institute's mandate and include a training programme in multilateral diplomacy and international cooperation and a wide range of training programmes in the field of social and economic development, with a particular focus on peacekeeping and post-conflict reconstruction (e.g., fellowship on Afghanistan). As illustrated by table 8, the Office's activity has grown since its inception and represented $2 million of expenditure during the biennium 2004-2005.

[6] The Executive Director of the Institute indicated that the fund-raising campaign for non-earmarked contributions to the General Fund would remain the exclusive responsibility of the Executive Director's office so as to avoid duplication of effort and, primarily, confusion by potential donors. He also indicated that, as in the past, UNITAR headquarters would request the assistance of the New York Office when deemed useful.

Table 8
Activity of the Hiroshima Office for Asia and the Pacific, 2001-2005

	2001	2002-2003	2004-2005	Evolution 2003/2005 (Percentage)
Number of events (excluding round-table meetings)	1	4	16	+300
Number of participants	31	238	426	+79

63. In accordance with the 2003 memorandum of understanding signed between UNITAR and the Hiroshima prefecture, the latter has provided premises, office equipment and maintenance services, as well as a yearly cash contribution of $999,485, for the period 2003-2006. For the subsequent years, it was agreed that the Office should seek funding through additional donors and sources up to 50 per cent of its budget, or approximately $500,000 per year. UNITAR indicated that a comprehensive report, to be prepared by the end of 2006, would address the overall strategy for the future, including the possibility of paid workshops.

64. **The Administration agreed with the Board's recommendation that UNITAR develop without further delay an appropriate fund-raising strategy to cover the operating costs of the Hiroshima Office for Asia and the Pacific.**

Midterm strategy of the Institute

65. Although the overall objectives of the Institute are defined in its statute (arts. I and II), they have not been formally translated into the strategic planning documentation prepared by the Institute, which so far has not considered adopting a formal strategy.

66. Following the review by the Board of Auditors, the Executive Director of UNITAR indicated that, as of 2007, each programme would systematically establish goals and objectives, which would be centrally recorded and reviewed at least once a year. Upon completion of the exercise by each programme, UNITAR would be able to identify better its institutional strengths, gaps and opportunities and to establish its midterm objectives. He also indicated that observations and suggestions regarding medium-term strategic planning had been drafted, underlining the numerous benefits of strategic planning, identifying benefits and drawbacks and addressing the first steps to be taken to prepare a medium-term strategic plan for the biennium 2008-2009.

67. **The Administration agreed with the Board's recommendation that UNITAR adopt a strategic plan reflecting its midterm objectives.**

Results-based management

68. Results-based management has not been consistently implemented at the Institute. Although a wide range of practices and tools have been developed by the substantive units, notably in terms of planning and monitoring of work, evaluation and performance assessment, which related mostly to the requirements of donors and other partners, there was no harmonized and consistent policy and practice as regards results-based management.

Monitoring of activities

69. Goals, objectives and indicators of performance have not been systematically formalized and included in the project descriptions, and there was little consistency among the practices of the various programmes and projects managed by the Institute. The goals and objectives of projects were usually identified, but there were very few indicators and performance measures, which did not allow for proper monitoring of activities. Objectives and indicators were not fully operational, since they were not systematically specific, measurable, achievable, time-bound or relevant."

70. The Executive Director was of the view that the programmes were carefully prepared and drafted, in constant consultation with the donors which were more concerned with efficiency than with reporting procedures. The opinion of the Board is that effective assessment of efficiency and performance in programme delivery, which requires properly defined objectives and relevant indicators, is essential to donor confidence in the cost-efficiency of the activities that they fund. UNITAR, however, indicated that, at the project level, it would ensure (as often required by donors) that all project documents clearly state the project's goals, objective, activities and indicators of achievement.

71. The revised format for the programme budget for the biennium 2006-2007, which set out clear objectives for all UNITAR programmes and which was welcomed by the Advisory Committee on Administrative and Budgetary Questions, is a first step in this direction.

72. **The Administration agreed with the Board's recommendation that UNITAR continue its efforts to include objectives and indicators of achievement in its programme and project documents.**

73. UNITAR maintains detailed statistical records of, inter alia, seminars, workshops, trainees, publications, hits on its website and participation in e-learning courses. In addition, some substantive units have developed their own monitoring tools, but these tools have not been consolidated. In the absence of proper indicators, the Institute could not compare expected deliveries and actual achievements or determine the implementation rate of all programmes. The best practices of some divisions did not appear to have been fully shared within the Institute.

74. The Institute has considered establishing a database for monitoring activities, goals and objectives, which would allow for periodic comparisons of implemented activities against planned activities.

75. **The Administration agreed with the Board's recommendation that UNITAR monitor output and result indicators.**

" For example, to strengthen existing human resources and institutional capacities within Government ministries, universities and other selected institutions to make them self-reliant in conducting their own training seminars, using local training facilities and experts, and to strengthen the Institute's capacity to meet the training and capacity-building needs of developing countries and economies in transition with the use of new information technology (programme of training in the legal aspects of debt, financial management and negotiations); or better coordination and integration of national climatic policies with sustainable development policies (programme on strengthening human and institutional capacity in developing countries for policy analysis and effective negotiation on climate change).

Reporting on achievements

76. At its forty-third session in April 2005, the Board of Trustees discussed the question of periodicity of its reports to the General Assembly and agreed that this could indeed be done, in an improved and more attractive format, on a biennial basis.

77. In line with the statute of the Institute, its Executive Director reports annually to the Board of Trustees on its activities and biennially to the General Assembly. However, in the absence of clear indicators, an assessment of the progress made in relation to planned objectives is not addressed in these reports, which focus on narrative presentations and detailed statistical information and provide few indications of the extent to which the Institute has fulfilled its mandate and met its objectives.

78. **The Administration agreed with the Board's recommendation that UNITAR reconsider the format and content of its biennial report of activities in order to enhance the quality of information provided to its stakeholders.**

Evaluation of training activities

79. In respect of the evaluation of training activities, UNITAR systematically provides an assessment of trainee satisfaction, with some feedback on the programme and application of the skills and knowledge from training. Staff training was reviewed by the Board of Auditors in 2003 (see A/58/384, annex). The Board notes in this connection that international best practices recommend that the evaluation of training activities comprise other levels, such as those defined by the Kirkpatrick model.

80. None of the programmes have adopted such levels for the evaluation questionnaires issued to trainees. The Hiroshima Office has developed post-training evaluation questionnaires and intends to further integrate this approach into its training initiatives. In particular, an intern has been selected to assist in the post-training evaluation. The New York Office has developed a three-tiered evaluation method, in line with the Kirkpatrick model. However, such initiatives and best practices have not yet been shared within the Institute.

81. **The Administration agreed with the Board's recommendation that UNITAR develop systematic sharing of best practices developed by its units and consider harmonizing the format and content of its evaluation tools in order to enhance the evaluation of its training activities and streamline the reporting process.**

Evaluation of UNITAR programmes

82. UNITAR has conducted several in-depth evaluations of its training programmes and activities over the years. However, these evaluations have been decided upon a case-by-case basis, and mainly at the initiative of donors. At the time of the Board's review, there was no set of criteria, guidelines and methodology for the selection of programmes for evaluation, and no annual or pluri-annual evaluation plan.

83. Such evaluations do come at a cost, to be weighted against the expected benefits, but UNITAR did not appear to have proactively considered them or to have

sought the appropriate funding from donors. Since the Board's 2005 audit, UNITAR has indicated that instructions have been given to the programme coordinators to propose systematically to donors the conduct of an in-depth evaluation and to make the necessary provisions in the budget for every project exceeding $250,000. However, the Institute has not contemplated the establishment of an evaluation plan. The Executive Director stated that, as a general rule, UNITAR strove to allocate as many funds as possible to its operations rather than to administration. This approach was usually appreciated and encouraged by the donors, some of which may accept the allocation of additional funds earmarked for evaluation.

84. **The Administration agreed with the Board's recommendation that UNITAR establish an evaluation plan and budget in coordination with donors.**

85. Following an audit conducted by the Board of Auditors in May 2005, new guidelines on harmonizing the evaluation and performance assessment of projects across UNITAR programmes were issued by the Institute on 11 April 2006, based on a joint reflection between management and programme coordinators. The guidelines addressed the recommendations of the Board.

3. Information and communication technology

86. The Board has previously recommended, and UNITAR agreed, that the Institute should (a) review the current information and communication technology function to consider if it is appropriately staffed, (b) improve its cooperation with other United Nations organizations to further benefit from system-wide experience, and (c) adopt precise terms of reference for its information technology committee.[8]

87. While UNITAR took no steps to implement this recommendation in 2005, the Board was informed by UNITAR in 2006 that the Executive Director was considering the matter along with senior managers of the Institute. The Board, however, was not made aware of any concrete outcome or change compared to the previous period.

88. **The Board reiterates its recommendation that UNITAR (a) review the current information and communication technology function to consider if it is appropriately staffed, (b) improve its cooperation with other United Nations organizations to further benefit from system-wide experience, and (c) adopt precise terms of reference for its information technology committee.**

4. Fraud prevention and management

Fraud-awareness policy

89. The Board has previously recommended that UNITAR develop, document and implement a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, in coordination with the Administration of the United Nations and the other funds and programmes to obtain the benefit of best practices, where available.[9] In this connection, the Advisory Committee on Administrative and Budgetary Questions has stated that

[8] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5H* (A/59/5/Add.4), chap. II, para. 82.

[9] Ibid., para. 88.

> "[it] trusts that the Administration of UNITAR will initiate measures to ensure compliance with United Nations system-wide efforts in this respect. The Committee expects that the Institute will undertake concrete steps to develop, document and implement a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, as specifically recommended by the Board of Auditors" (A/60/7/Add.4, para. 13).

90. On 30 March 2006, an internal report was issued, recalling to all staff members UNITAR policy as regards risk of internal corruption and fraud. However, the report cannot be considered a fully fledged plan against the risk of internal corruption and fraud developed in coordination with the Administration of the United Nations. It does not mention the United Nations code of conduct and does not fully reflect United Nations policies in respect of fraud prevention and whistle-blowing, as defined notably in the Secretary-General's bulletins ST/SGB/2005/21 of 19 December 2005, on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations, and ST/SGB/2006/6 of 10 April 2006, on financial disclosure and declaration of interest statements. Also, there is no mechanism to ensure that UNITAR staff members are properly acquainted with these provisions. Moreover, UNITAR has not considered providing specific briefings on ethics, anti-corruption and fraud awareness to people working in its offices. Therefore, there is a risk that not all staff members are aware of their rights, duties and obligations in respect to ethics and fraud management, on which they may not have been briefed or trained.

91. In line with its previous recommendation, the Board is of the opinion that fraud prevention mechanisms and policy should be uniform and consistently applied within the United Nations Secretariat, funds and programmes. At the time of the Board's audit, the United Nations fraud prevention plan and policy had yet to be promulgated. Upon its adoption, UNITAR would have to establish an implementation strategy within the context of the overall United Nations policy.

92. **The Board recommends that UNITAR enhance its guidelines on the risk of internal corruption and fraud (including procedures to commit all parties to comply with the relevant policies and appropriate training), in line with the United Nations fraud prevention plan and policy.**

93. UNITAR agreed to add to its guidelines other aspects of a fraud awareness policy. However, the Institute stated that, with only 38 persons holding UNITAR regular contracts, it would be excessive to develop fully fledged instructions.

Information technology: fraud prevention and management

Policies and compliance

94. UNITAR has not adopted any of the United Nations official documents relating to ethics, fraud and information security. The only document on UNITAR policy in respect of the use of information and communication technology data and resources was a note dated 20 April 2006 addressed by the Executive Director of UNITAR to staff members, defining a policy and instructions for the use of e-mails and network security which were to be progressively implemented and become fully operational and compulsory on 1 September 2006.

95. The note did not explicitly refer to the applicable policies of the United Nations and, in particular, to Secretary-General's Bulletin ST/SGB/2004/15 of 29 November 2004, on the use of information and communication technology resources and data, and, as emphasized below, was not fully consistent with United Nations policies. Moreover, it mostly referred to the use of e-mails and did not address such issues as access to the Internet, definition of and conditions for official and personal use of the information and communication technology resources and data of the organization other than e-mails; access to, possession of or distribution of sensitive data; prohibited activities (other than prohibited use of e-mails); and protection of technical integrity and performance of information and communication technology resources.

96. **The Administration agreed with the Board's recommendation that UNITAR adopt or develop comprehensive policies that address management of the risk of electronic misconduct, in line with United Nations policies and rules.**

Building protective features into computer systems

97. UNITAR has not yet implemented policies or practices for classifying information as required by ISO 17799, section 3, an international standard for the management of information security. While not mandatory, the implications of not adopting this standard are that individual organizations may be failing to adequately protect their information assets, notably the content of the online courses offered by UNITAR.

98. **The Administration agreed with the Board's recommendation that UNITAR implement ISO 17799.**

99. UNITAR has not developed any policy and procedures regarding the installation of software on its computers and network, hence there is a risk of misuse of information technology resources and potential damage to the security and integrity of the system.

100. Moreover, since the discontinuation a few years ago of the use of a "sniffing" system (a system for passively intercepting and reading network traffic), the Institute does not monitor users' information technology activities, thereby entailing a risk of misuse or abuse of information technology facilities, including uncontrolled use of the Internet and downloading of inappropriate material.

101. **The Administration agreed with the Board's recommendation that UNITAR establish rules and procedures regarding the installation of software on its computers and network and monitoring of information technology activity to prevent potential misuse of information technology resources.**

Operational administration and management of computer networks and systems

102. UNITAR does not have a full-time information and communication technology practitioner, an overall risk manager (who would be responsible also for information and communication technology risk) or a person responsible for the oversight of information security, as recommended in section 2 of ISO 17799.

103. UNITAR does not have an oversight body for information and communication technology, which would authorize information technology audits, reviews and investigations. No parties or functions at UNITAR are responsible for digital

forensic investigations. There are no guidelines and no tools for such investigations. No reviews, penetration tests or investigations were conducted.

104. **The Administration agreed with the Board's recommendation that UNITAR assess and prepare information and communication technology strategies to address the risk management of information, including information technology audits and investigations.**

105. In respect of network security, UNITAR relies on firewalls, anti-virus tools and security rights for accessing resources.

106. The Institute allows consultants and visitors to be connected to the UNITAR network, including by means of their private computers, for a maximum period of one month. However, in the absence of standardized and documented procedure for user identity and authentication management, and with no clear eligibility criteria for users authorized to access the UNITAR network and e-mail system, there is a risk that access rights are neither properly identified nor managed. In addition, UNITAR has no password maintenance rules, hence there is a risk that the passwords used do not provide an adequate level of security in UNITAR offices.

107. **The Administration agreed with the Board's recommendation that UNITAR develop formal policies concerning all aspects of identity management and properly document identification and authentication procedures.**

108. In his note on e-mail and network security addressed to staff on 20 April 2006, the Executive Director established rules for access to and disclosure of the contents of e-mails of staff, consultants and other users without the consent of the user, further indicating that UNITAR would do so when it believed that it had a legitimate professional need and only after explicit authorization had been obtained from the appropriate authority. However, UNITAR rules for monitoring the electronic communications of its staff members are not fully consistent with those established by the United Nations.[10] In particular, they do not specify who can perform such monitoring and do not provide any indication of the applicable procedures. They also do not define the rights of staff members who are subject to monitoring or investigation, including their right to be notified in advance that the information and communication technology resources or data used by them will be accessed, or the procedures relating to the retention of data retrieved during inspection.

109. **The Administration agreed with the Board's recommendation that UNITAR review its policy relating to the monitoring of e-mail content, in line with United Nations policies.**

5. Cases of fraud and presumptive fraud

110. The Administration reported to the Board that no case of fraud or presumptive fraud was found during the biennium ended 31 December 2005.

[10] See section 8 of ST/SGB/2004/15, on the use of information and communication technology resources and data.

D. Acknowledgement

111. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and the staff of the Institute.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the report.

Annex

Summary of the status of implementation of recommendations for the biennium ended 31 December 2003[a]

Topic	*Financial period first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference in the present report*
Funding of the General Fund	2002-2003		Para. 23		1	Paras. 23, 24 and 53-61
Operating reserve	2000-2001	Para. 28			1	
Contributions received in advance	2002-2003	Para. 32			1	
Contributions in kind	2002-2003	Para. 36			1	
Memorandum of understanding with the United Nations Office at Geneva	2002-2003	Para. 38			1	
Disclosure in the financial statements	2002-2003			Para. 48	1	
Recosting policy	2002-2003	Para. 51			1	
Funding of after-service liabilities	2000-2001		Para. 56		1	Paras. 29-34
Admission to core training programme	2000-2001		Para. 69		1	Paras. 53-61
Geographical distribution of staff	2002-2003		Para. 73		1	Paras. 49-52
Fellows and consultants	1998-1999		Para. 77		1	
Administrative management of training programmes	2002-2003	Para. 80			1	
Information and communication technology strategies	2002-2003		Para. 85	Para. 82	2	Paras. 86-88
Fraud and presumptive fraud	2002-2003		Para. 88		1	Paras. 89-96 and 110
Total number		6	7	2	15	
Percentage		40	47	13	100	

[a] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5D* (A/59/5/Add.4), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Institute for Training and Research numbered I to IV and the supporting notes for the biennium ended 31 December 2005. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Institute for Training and Research as at 31 December 2005 and the results of its operations and its cash flows for the period then ended, in accordance with the United Nations system accounting standards.

Furthermore, in our opinion, the transactions of the United Nations Institute for Training and Research that have come to our notice, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements of the United Nations Institute for Training and Research.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the report.

Chapter IV

Certification of the financial statements

1. The financial statements of the United Nations Institute for Training and Research for the biennium 2004-2005 ended 31 December 2005 have been prepared in accordance with financial rule 106.10.

2. The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the Institute during the period covered by the statements, for which the Secretary-General has administrative responsibility.

3. I certify that the appended financial statements of the United Nations Institute for Training and Research, numbered I to IV, are correct.

(*Signed*) Warren **Sach**
Assistant Secretary-General, Controller

31 March 2006

Chapter V
Financial statements for the biennium ended 31 December 2005

Statement I

United Nations Institute for Training and Research all funds summary[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005 ended 31 December 2005

(United States dollars)

		Other activities				
	General Fund	*Special-Purpose Grants Fund*	*Activities financed by UNDP*	*All funds eliminations*	*Total 2005*	*Total 2003*
Income						
Voluntary contributions	889 454	26 551 337	—	—	27 440 791	14 635 048
Funds received under inter-organization arrangements			979 236		979 236	1 357 554
Programme support income	2 237 336			(2 237 336)	—	—
Interest income	71 079	552 231			623 310	537 216
Other miscellaneous income	16 097	76 121			92 218	72 723
Total income	**3 213 966**	**27 179 689**	**979 236**	**(2 237 336)**	**29 135 555**	**16 602 541**
Expenditure						
Staff and other personnel costs	1 706 815	11 039 884	465 649		13 212 348	9 770 483
Travel	89 774	1 621 144	149 157		1 860 075	1 163 074
Contractual services	12 228	601 086	95 544		708 858	1 155 040
Operating expenses	513 789	976 141	15 835		1 305 765	1 015 238
Acquisitions	22 027	182 108	13 344		217 479	232 268
Other	33 543	4 820 435	166 370	—	5 020 348	2 015 684
Total direct expenditure	**2 378 176**	**19 240 798**	**905 899**	—	**22 524 873**	**15 351 787**
Programme support costs	—	2 163 999	73 337	(2 237 336)	—	—
Total expenditure	**2 378 176**	**21 404 797**	**979 236**	**(2 237 336)**	**22 524 873**	**15 351 787**
Excess (shortfall) of income over expenditure	**835 790**	**5 774 892**	—	—	**6 610 682**	**1 250 754**
Prior period adjustments	(9 785)	9 899			114	5 721
Net excess (shortfall) of income over expenditure	**826 005**	**5 784 791**	—	—	**6 610 796**	**1 256 475**

	General Fund	Special Purpose Grants Fund	Technical Cooperation Trust Fund	Revolving Fund for Natural Resources Exploration	Staff Pool	Total (All funds)
Savings on, or cancellation of, prior periods' obligations	1 060	118 502			119 562	150 216
Refund to donors		(537 886)			(537 886)	(38 040)
Reserves and fund balances, beginning of period	626 461	5 907 601			6 624 062	5 255 171
Reserves and fund balances, end of period	**1 453 526**	**11 363 008**	—	—	**12 816 534**	**6 624 062**

[a] See note 3.

The accompanying notes are an integral part of the financial statements

Statement II

United Nations Institute for Training and Research all funds summary*

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005

(United States dollars)

		Other activities				
	General Fund	*Special Purpose Grants Fund*	*Activities financed by UNDP*	*All funds eliminations*	*Total 2005*	*Total 2004*[a]
Assets						
Cash and term deposits	1 437 408	12 152 891			13 590 299	7 286 118
Pledged contributions receivable	27 463				27 463	4 000
Due from United Nations General Fund	23 843		462 642	(486 485)		
Receivable from funding source						443 678
Other accounts receivable	26 751	712 479	350	(444 877)	1 184 556	105 784
Deferred charges		557 891			557 891	—
Total assets	**1 515 465**	**13 423 260**	**463 092**	**(41 608)**	**15 360 209**	**7 839 580**
Liabilities						
Contributions or payments received in advance	12 463				12 463	—
Unliquidated obligations — prior period				—	—	(4 814)
Unliquidated obligations — current period	49 454	958 326	29 116		1 036 896	720 311
Unliquidated obligations — future period		548 944			548 944	—
Due to United Nations General Fund		41 608		(41 608)		—
Payable to funding source			423 800		423 800	—
Other accounts payable	22	511 374	10 176		521 572	480 393
Total liabilities	**61 939**	**2 060 252**	**463 092**	**(41 608)**	**2 543 675**	**1 215 518**
Reserves and fund balances						
Operating reserves	188 404	—	—	—	188 404	168 611
Balances relating to projects funded by donors		11 363 008	—	—	11 363 008	5 997 601
Cumulative surplus (deficit)	1 265 122	—	—	—	1 265 122	457 850
Total reserves and fund balances	**1 453 526**	**11 363 008**	**—**	**—**	**12 816 534**	**6 624 062**
Total liabilities and reserves and fund balances	**1 515 465**	**13 423 260**	**463 092**	**(41 608)**	**15 360 209**	**7 839 580**

[a] See note 3.

[b] Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

United Nations Institute for Training and Research all funds summary[1]

Statement of cash flows for the biennium 2004-2005 ended 31 December 2005

(United States dollars)

		Other assistance				
	General Fund	Special Purpose Grants Fund	Activities financed by UNDP	At-risk commitments	Total 2005	Total 2003
Cash flows from operating activities						
Net excess (shortfall) of income over expenditure (statement I)	826 805	5 784 795			6 610 796	1 256 475
(Increase) decrease in pledged contributions receivable	(23 463)				(23 463)	31 400
(Increase) decrease in due from United Nations General Funds	(23 843)		(462 642)	486 485		
(Increase) decrease in receivable from funding source			443 678		443 678	(65 806)
(Increase) decrease in other accounts receivable	(22 879)	(612 314)	1 298	(444 877)	(1 078 772)	74 176
(Increase) decrease in deferred charges		(357 891)			(357 891)	
Increase (decrease) in contributions or payments received in advance	(2 463)				(2 463)	(26 400)
Increase (decrease) in unliquidated obligations	(67 586)	1 047 901	(129 600)		850 715	(122 028)
Increase (decrease) in due to United Nations General Funds	(5 688)	38 050	(286 478)	254 116		
Increase (decrease) in payable to funding source			423 800		423 800	
Increase (decrease) in other accounts payable	22	326 937	9 944	(295 724)	41 179	412 276
Less: Interest income	(71 079)	(552 231)	—		(623 310)	(537 216)
Net cash flows from operating activities	**623 952**	**5 475 243**	—	—	**6 099 195**	**1 022 877**
Cash flows from investing activities						
Plus: Interest income	71 079	552 231	—	—	623 310	537 216
Net cash flows from investing activities	**71 079**	**552 231**	—	—	**623 310**	**537 216**

	General Fund	Other activities: Special-Purpose Grants Fund	Other activities: Activities financed by UNDP	All funds eliminations	Total 2005	Total 2004*
Cash flows from financing activities						
Savings on, or cancellation of, prior periods' obligations	1 060	118 502	—	—	119 562	150 216
Refunds to donors	—	(537 886)	—	—	(537 886)	(38 040)
Net cash flows from financing activities	**1 060**	**(419 384)**	**—**	**—**	**(418 324)**	**112 176**
Net increase (decrease) in cash and term deposits	**696 091**	**5 608 090**	**—**	**—**	**6 304 181**	**1 672 269**
Cash and term deposits, beginning of period	**741 317**	**6 544 801**	**—**	**—**	**7 286 118**	**5 613 849**
Cash and term deposits, end of period	**1 437 408**	**12 152 891**	**—**	**—**	**13 590 299**	**7 286 118**

* See note 3.

* Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

United Nations Institute for Training and Research — General Fund

Status of expenditures against budget for the biennium 2004-2005 ended 31 December 2005

(United States dollars)

		Expenditure			
Programme	*Approved budget*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
Geneva headquarters	1 450 000	1 476 418	14 195	1 490 613	(40 613)
New York Liaison Office	500 000	510 318	262	510 580	(10 580)
Training in Diplomacy	350 000	341 986	34 997	376 983	(26 983)
Total	**2 300 000**	**2 328 722**	**49 454**	**2 378 176**	**(78 176)**[a]

[a] Excess of expenditures over the approved budget is primarily due to the additional activities undertaken by UNITAR, as authorized by the Executive Director.

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

Note 1
United Nations Institute for Training and Research and its activities

(a) The United Nations Institute for Training and Research (UNITAR) was established in 1965 as an autonomous body within the United Nations with the purpose of enhancing the effectiveness of the Organization through appropriate training and research. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Institute is supported by voluntary contributions from Governments, intergovernmental organizations, foundations and other non-governmental sources.

(b) UNITAR develops, improves and extends training programmes in the fields of international affairs management and in economic and social development. The Institute's functions may be summarized as follows:

(i) To conduct training programmes in multilateral diplomacy and international cooperation for diplomats accredited to the United Nations and national officials involved in work related to United Nations activities;

(ii) To carry out a wide range of training programmes in the field of social and economic development, generally at the request of Governments, multilateral organizations, and public and private development cooperation agencies;

(iii) To establish and strengthen cooperation with faculties and academic institutions, in particular for the development of research on and for training.

(c) Current UNITAR training programmes are presented under the following titles:

(i) Multilateral diplomacy and international affairs management;

(ii) Peacemaking and preventive diplomacy;

(iii) Peacekeeping on special needs of women and children;

(iv) Legal aspects of debt and financial management;

(v) Chemicals, waste and environmental governance;

(vi) Climate change programme;

(vii) Environmental law programme;

(viii) Decentralized cooperation;

(ix) Information technology programmes;

(x) New York Office;

(xi) Hiroshima Office for Asia and the Pacific.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations Institute for Training and Research

(a) As provided in article VIII of its statute, the UNITAR accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the former Administrative Committee on Coordination, which has since been replaced by the United Nations System Chief Executives Board for Coordination. The Institute follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed, together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Institute's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly or the Executive Director. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Institute is a biennium and consists of two consecutive calendar years.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the Institute are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations.

In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Institute's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flows statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards.

(h) The Institute's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards to the Chief Executives Board.

(i) The results of the Institute's operations presented in statements I, II and III are shown at a summary level by general type of activity as well as on a combined basis for funds other than those that are reported on separately, after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

() Income:

(i) Voluntary contributions to the General Fund are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions to the Special-Purpose Grants Fund are recorded as income upon receipt of cash. Voluntary contributions made in the form of services and supplies that are acceptable to the Institute are credited to income or noted in the financial statements;

(ii) Interest income includes all interest earned on deposits in various bank accounts and investment income earned on marketable securities and other negotiable instruments. All realized losses and net unrealized losses on short-term investments are offset against investment income;

(iii) Miscellaneous income includes sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income;

(iv) Income received under inter-organization arrangements represents allocations of funding from agencies to enable the Institute to administer projects or other programmes on their behalf. The allocation income from the United Nations Development Programme (UNDP) is determined taking into account interest and other miscellaneous income against total expenditure;

(v) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income as referred to in item (m) (iii).

(k) Expenditure

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges as referred to in item (l) (ii);

(iv) Provision to meet contingencies under appendix D to the Staff Rules of the United Nations for personnel is calculated on the basis of 1 per cent of the net base pay and charged to the expenditures.

(l) Assets

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. The expenditure items include commitments for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead-times are required for delivery;

(iii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Institute. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

(m) Liabilities and reserves and fund balances

(i) Operating reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods and other income received but not yet earned;

(iv) Commitments in respect of UNITAR relating to prior-period, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the General Fund and Special-Purpose Grants Funds remain valid for 12 months following the end of the biennium to which they

relate. However, for the activities financed by UNDP, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists. Savings on or cancellation of prior-period obligations are credited to individual projects as a reduction of current-period expenditure in accordance with UNDP reporting requirements;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) The United Nations Institute for Training and Research is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Institute to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments under article 26 of the regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statement, the General Assembly has not invoked this provision.

Note 3

All funds summary: income, expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II); cash flows (statement III)

(a) Statements I, II and III contain financial results for the United Nations Institute for Training and Research, which are totalled into three groups of related funds and, after elimination, combined into a grand total reflecting all activities of the Institute. This combined presentation should not be interpreted to mean that any individual fund can be used for any other purpose than that for which it is authorized. The three groups consist of:

(i) The General Fund;

(ii) The Special-Purpose Grants Fund;

(iii) The activities financed by UNDP.

(b) Funds received under the Special-Purpose Grants Fund are earmarked for specific projects. The closing fund balance represents expenditures to be incurred in future periods on such projects; with the residual balances, if any, to be returned to donors.

(c) Statement I includes two calculations of the excess (shortfall) of income over expenditure. The first calculation is based on income and expenditure only for the current period of the biennium. The second calculation shown is a net one, which includes any prior-period adjustments to income or expenditure.

Note 4
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Institute but is charged against the current appropriations when acquired. The non-expendable property, valued at historical cost, according to the cumulative inventory records of the Institute, was $324,794 and $236,168 as at 31 December 2005 and 31 December 2003, respectively.

The movement in non-expendable property is summarized below as follows (in United States dollars):

Balance as at 1 January 2004	236 168
Acquisitions	132 127
Less: write-offs — accidents, thefts and damages	—
Less: dispositions and other adjustments	(63 501)
Balance as at 31 December 2005	**324 794**

Note 5
Contributions in kind

The United Nations Office at Geneva provided administrative support services at no cost to UNITAR. Such services include issuance of allotments, payroll, other payments, accounting, treasury, travel and visa processing, medical service, the Integrated Management Information System and language training services. The value of such contributions in kind is estimated at $578,300 for the biennium 2004-2005. In addition, conference servicing facilities are provided by the United Nations in Geneva and New York on an "as available" basis free of charge, and UNITAR pays only for interpretation services and additional electronic equipment, if required. The value of such conference facilities is estimated at $104,300 for the biennium 2004-2005.

In addition, the Institute's Special-Purpose Grants Fund received contributions in kind estimated at $263,000 from the Government of Norway for local workshop costs, $70,000 from the Intel Corporation for workshop costs in New York, $259,000 from the Hiroshima Prefectural Government for office costs, $28,500 from the City of Kushiro for workshop support, $13,000 from the Government of Canada for fellowship costs, $12,000 from the World Trade Organization for the travel costs of experts and $6,000 from Université de La Rochelle for the services of an expert.

Note 6
Liabilities for end-of-service and post-retirement benefits

(a) Based on established practice, in order to gain a better understanding of the financial dimensions of the Institute's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health insurance benefits. It is estimated that the Institute's liability as at 31 December 2005 for after-service health insurance benefits covering all participants, regardless of funding source, is as follows (in United States dollars):

	Present value of future benefits	*Accrued liability*
Gross liability	4 546 000	2 551 000
Offset from retiree contributions	1 236 000	694 000
Net liability	**3 310 000**	**1 857 000**

(b) The present value of the future benefits figures shown above are the discounted values of all benefits to be paid in the future to all active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(c) Staff members who separate from the Institute are entitled to be paid for any unused annual leave days that they may have accrued up to a maximum limit of 60 days. The Institute's total liability for such unpaid accrued annual leave compensation as at 31 December 2005 is estimated to be approximately $392,000.

(d) Some staff members are entitled to repatriation grants and related expenditures of relocation upon their termination from the Institute based on the number of years of service. The Institute's total liability for such unpaid repatriation and relocation entitlement as at 31 December 2005 is estimated to be approximately $661,000.

(e) Since 2003, the Institute has maintained a reserve to provide for expected expenditures for accrued annual leave and repatriation costs for staff members. As at 31 December 2005, this reserve amounted to $398,000 and is included in other accounts payable of the Special-Purpose Grants Fund.

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